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SIPDIS

EUR FOR MATT BRYZA; EEB FOR STEVE MANN, DOUG HENGEL; DOE
INTL FOR LANA EKIMOFF

E.O. 12958: DECL: 08/11/2018
TAGS: [ENRG](#) [EPET](#) [EINT](#) [PREL](#) [AZ](#) [TU](#)
SUBJECT: AZERBAIJAN OIL & GAS EXPORT WOES: BAKU-SUPSA, SCP
SHUT DOWN

REF: BAKU 761

Classified By: Acting DCM Robert Garverick, Reason 1.4 (b,d)

11. (C) BP External Affairs and Policy Forum Manager Seymour Khalilov briefed Embassy officers August 12 on developments in oil and gas production and transport in light of fire damage to the BTC pipeline and the Russia-Georgia conflict over South Ossetia. Khalilov confirmed that the BTC fire was extinguished, after having burned for nearly five days. BP's technical team, in coordination with Turkey's BOTAS, now plans to assess the damage and recommend options for repair. Khalilov noted that the fire struck value #30 in a remote area of Turkey; tentative plans include constructing a "bypass" from valve #29 to value #31 to transport limited volumes of oil while the trunk line is fixed. Khalilov estimated that 10-14 days would be needed for the BP/BOTAS team to assess the situation and initiate repair work. Separately, Embassy learned from other sources at BP that initial investigations indicated that the fire was a result of sabotage, presumably by the PKK. This report has not been confirmed elsewhere.

12. (C) The AIOC consortium's oil production at the ACG fields continues at a rather low level for the second day. Khalilov said today's production was the equivalent of 130,000 barrels per day, vs. 125,000 b/d yesterday. Alternative export routes continue to be problematic. The consortium continues to ship upwards of 100,000 barrels per day through the Baku-Novorossiysk pipeline. Russia's Transneft, however, notified SOCAR yesterday to state that technical or maintenance problems may limit volumes. BP and its partners have also begun shipping oil by rail to Batumi. Khalilov noted that, in a curious incident, a Russian naval ship intercepted an oil tanker near the port of Supsa yesterday, and the tanker pulled away into the Black Sea. The tanker, which did not belong to BP or its AIOC partners, apparently approached the Supsa port with caution, in an attempt to berth. While lingering off the coast, the Russian naval ship approached. According to BP, the tanker's captain decided not to risk confrontation with the Russian Black Sea Fleet and chose to vacate the location. Learning of this, BP decided late yesterday to discontinue oil shipments through the Baku-Supsa pipeline. Previously -- since August 1 -- about 45,000 b/d had moved through the newly refurbished pipeline.

13. (C) BP's Khalilov also noted that, because of security concerns in Georgia, the Shah Deniz consortium decided last night to cease shipments of natural gas through the South Caucasus Pipeline. Shah Deniz gas, which is to be delivered

to Turkey under contract, is now being delivered in a scaled-back manner to AzerGas for storage in Azerbaijan; Turkey and Georgia are not presently receiving volumes of Shah Deniz gas.

¶4. (C) Khalilov said that he did not have any concrete information regarding Russian intentional attempts to target the BTC or Baku-Supsa pipelines. He noted, however, that the BTC pipeline's pumping stations -- two of which are in Georgia -- would be obvious and easy targets for Russian aircraft. There is no indication, he said, that the Russians intended to bomb those pumping stations. Indications, he said, are that Russian bombs struck more closely to the Baku-Supsa pipeline than to BTC.

¶5. (SBU) In a back of the envelope calculation, BP representatives estimated that the Government of Azerbaijan, at present ACG production levels, is losing approximately \$60 million per day because of the closing of the BTC and constraints on alternative export routes.

¶6. (U) Embassy notes that this information was gathered before news broke of Russian President Medvedev's announcement of an end to military operations in Georgia.
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